

Date Mailed December 8, 1998

BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application for Approval of an Affiliated Interest
Agreement Between Wisconsin Public Service
Corporation and Upper Peninsula Power Company

6690-AU-107

**NOTICE OF PROCEEDING,
INVESTIGATION AND ASSESSMENT OF COSTS**

THIS IS A PROCEEDING, pursuant to Wis. Stat. § 196.52, to consider the October 19, 1998, application of Wisconsin Public Service Corporation (WPS) for authority to engage in affiliated interest transactions with Upper Peninsula Power Company (UPPCO).

WPS, 700 North Adams Street, Green Bay, Wisconsin 54307-9001, is a Wisconsin corporation engaged in rendering electric and gas utility service to the public and is a public utility as defined in Wis. Stat. § 196.01 and is a wholly owned subsidiary of WPS Resources Corporation (WPSR).

UPPCO is an electric utility serving about 48,000 customers in the Upper Peninsula of Michigan. It was the principal subsidiary of Upper Peninsula Energy Company (UPEN) prior to its merger with and into WPSR. WPS and UPPCO are therefore affiliated interests as defined by Wis. Stat. § 196.52.

Under the proposed agreement WPS and UPPCO will share services, assets, and materials in order to realize synergy savings as a result of the merger. The agreement sets forth in general terms the services and products expected to be shared and the transfer pricing to be applied. Most services will be provided by WPS to UPPCO, but there will be some cases where UPPCO will furnish services to WPS.

This is a Type III action under Wis. Adm. Code § PSC 4.10 (3). No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under Wis. Stat. § 1.11, nor an environmental assessment is required.

NOTICE IS GIVEN that the Commission considers it necessary in order to carry out its duties to investigate the books, accounts, practices, and activities of WPS. The expenses incurred or to be incurred by the Commission which are reasonably attributable to the investigation will be assessed against and collected from WPSR in accordance with Wis. Stat. § 196.84, and Wis. Adm. Code § PSC 6.03.

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If there are any questions regarding this matter, please contact Diane Braun, Electric Division, at (608) 267-1200.

Dated at Madison, Wisconsin, _____

By the Commission.

Lynda L. Dorr
Secretary to the Commission

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